Implications for Africa of Initiatives by the WTO, European Union, and U.S.

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Abstract

As efforts at economic integration gain ground at the regional and multilateral level, Africa's trading relations with the United States, the European Union and other partners are under the most comprehensive review since the colonial era. Those African countries in the vanguard will see the opportunity to gain lucrative concessions, spurring trade and investment. But since African countries tend to be poorly equipped to participate actively in the dozens of WTO interest areas, there is a real danger that some African countries will end up worse off than before. The following explores constraints and opportunities of economic integration for Africa.

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A remarkable convergence of forces is in the process of re-shaping Africa's relationship with the rest of the world. As efforts at economic integration gain ground at the regional and multilateral level, Africa's trading relations with the United States, the European Union and other partners are under the most comprehensive review since the colonial era. In this rapidly-changing global context, Africa's own prior efforts at regional integration are now re-invigorated, as the EU, for one, would prefer to negotiate the post-Lomé trade and aid arrangements with regional organizations, rather than with individual countries.

For African countries in the vanguard, the next decade of international trade negotiations could result in substantial concessions, spurring trade and investment. But since African countries tend to be ill-equipped to participate actively in the dozens of WTO interest areas, there is a real danger that some African countries will end up worse off than before. Success will depend on achieving a level of technical preparation and mobilization of national interest groups to a degree rarely seen before in Africa. Key challenges for African countries include widening their trade orientation beyond traditional bilateral flows and elaborating common positions within existing regional organizations.

A New Round for a New (and Improved) Organization

The Third Ministerial Meetings of the World Trade Organization (WTO) in Seattle at the end of 1999 heralds the start of a period of uncertainty for the 38 African WTO members. The African countries were largely left out of the fray in the Uruguay Round, to the point that African participation was "much more symbolic than real" (Oyejide, 1999). As agreed under the Uruguay Round, the 134 member countries of the WTO will undertake new negotiations in the key fields of agriculture and services. There will be long discussions about how to liberalize other sectors, with nascent areas such as e-commerce perhaps even receiving a mandate from the gathered ministers.

As opposed to the near half-century when the General Agreement on Tariffs and Trade (GATT) was but a secretariat without much more than the power to prod, these talks now take place within a well-delineated organization. In Seattle, or afterwards, once further dossiers are added to the WTO competence, the WTO's working groups will provide a built-in mechanism for negotiation and consultation, which may permit this round to be shorter than the 8-year Uruguay Round.[1]

Even given this improved structure, African countries are ill-equipped to participate actively in the dozens of WTO interest areas. The benefits of increasing participation are tempered by the bureaucratic obligations incurred by African governments. The increasingly technical nature of the WTO requires a degree of specialization in each portfolio very difficult to achieve in the top-heavy administrations of most African countries, already disadvantaged by scant budgetary resources.

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[1] One of the debates is whether to realize an "early harvest" in finalized areas, or whether the "single undertaking" rule of the Uruguay Round will delay implementation until all areas are agreed. The "early harvest" concept will now be much easier to achieve with the WTO's more formal status.

Topics for the Next Round

This next round of WTO negotiations arises from the "Built-In Agenda" specified in the Uruguay Round as an extension of the WTO's current work program. Article 20 of the Agreement on Agriculture stipulates new negotiations to start one year before the end of the 6-year implementation period, i.e. by the end of 1999.[2] The next round of services negotiations was specified to start no later than the beginning of 2000, thence convergence around the November 30th date for the Seattle meetings.

The WTO already has the mandate to examine the issues of market access for goods and services, rules governing trade in goods, accession of new members (China, Taiwan, Vietnam, Russia, Ukraine, etc.), dispute settlement, trade in services, trade-related environmental issues, intellectual property rights protection, government procurement, trade and competition, and trade and investment. As shown in Annex One, the Uruguay Round laid out a schedule for further work on these topics.

In addition, the Seattle Ministerial may call for new areas to be addressed within the WTO. The big players have been preparing for several years. On the U.S. agenda are such goals as progress on industrial market access, export credits, state trading, electronic commerce, trade and labor, investment and competition policy, and institutional improvements in the WTO (USTR, 1999). For the EU, the desired dossiers include investment, competition, trade facilitation (procedures and formalities), public procurement, tariff liberalization, textiles, and anti-dumping rules (European Commission, 1999b). For African countries, many only now becoming aware of the wide range of issues potentially on the table starting in Seattle, defining their negotiating position on the WTO should be an immediate national priority.

As in the Uruguay Round, the upcoming WTO negotiations will aim to provide the framework in which new and innovative economic trends can thrive. Liberalization in emerging areas may provide African entrepreneurs with the opportunity to create the rapid economic growth deemed necessary to raise a substantial portion of the population out of poverty. Yet as the poorest aggregate region, Sub-Saharan Africa is most humanly affected by changes in the policies, technologies, and flows of food.

Agriculture and food are on the agenda internationally, in a much more open way than ever before. Events such as the World Food Summit, the signing of a new Food Aid Convention and international action on poverty reduction and debt relief are focusing attention on policy coherence between agricultural trade and food security. The overarching priority is to ensure that a change in food policy among the wealthier members of the WTO does not negatively affect food security in Africa.

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[2] For developed countries. For developing countries, the implementation period on agriculture is 10 years, i.e. concluding at the end of 2004.

The Key Agriculture Sector

The Uruguay Round established an initial framework for agricultural trade liberalization through binding and reducing tariffs, providing for current and minimum market access, disciplining domestic support, and defining and reducing export subsidies. In the next round, negotiations will continue in these same contentious areas within the structure of the existing framework.

Market access talks can be expected to result in another formulaic cut in bound tariffs, with pressure for African countries to reduce the ceiling bindings, which are often quite high.[3] Also under market access, African countries should be very interested in the discussion of ways to reduce tariff escalation,[4] to address tariff peaks[5], to secure free entry for products from least-developed countries,[6] and to improve the administration of the tariff-rate quotas (TRQ) set up under the Uruguay Round.[7] African countries should pay particularly close attention to moves to disaggregate minimum access by tariff line; for example, requiring a country that imports only wheat to open a TRQ for wheat flour, which would compete with the domestic milling industry.

Domestic support is a negotiating area unlikely to directly affect African countries, as their price and income support usually falls well below the *de minimis* level of 10 percent of the value of production.[8] But reductions in domestic support in developed countries could indirectly affect African countries through the impact on world prices.

Future domestic support talks will follow in the wake of the battle of titans between the U.S. and the EU in the Uruguay Round, concluded through several compromises. For one, WTO members were permitted to bind domestic support through

[3] African countries generally followed the lead of the developed countries in putting "water" in their bound tariffs. This step now affords them the flexibility to cut the bound tariffs, without having to change their applied tariff rates. In this way, African countries can make concessions on market access, without changing the effective rate of protection.

[4] Tariff escalation is the situation where zero or low tariffs are applied to the imports of primary commodities, with tariffs increasing or escalating (often spectacularly) as the product undergoes increased processing. "Tariff escalation is therefore largely *inconsistent* with development efforts that seek to promote food processing activities in developing countries." (OECD, 1999a).

[5] Agriculture accounts for an inordinate number of the most highly-protected products. Of the tariffs set higher than 12 percent, 87 percent were on agriculture and food for the EU. For Japan, 80 percent of the tariff peaks were in agriculture, compared with 36 percent for the U.S. and 28 percent for Canada. The highest protection overall is in sugar, tobacco, cotton, and prepared fruits and vegetables (USDA/ERS, 1998).

[6] In the WTO, least-developed countries are those meeting the U.N. definition. Developing countries are self-identified.

[7] A tariff-rate quota (TRQ) offers the opportunity for a specific quantity of a product to enter at a reduced tariff rate. The in-quota duty rate is usually low or zero. If imports exceed the quantity eligible for the in-quota duty rate, then the higher MFN tariff applies. The method of allocating the right to import products at the lower duty can itself become a barrier to importing the full quota quantity, or can lead to an unequal assignment of rents. For a good discussion, see USDA/ERS, 1998.

[8] Below this level (which is 5 percent for developed countries), domestic support is considered to have a null, or minimal, effect on trade.

a sector-wide Aggregate Measure of Support (AMS), as opposed to a commodity-by-commodity AMS, which would have led to effective reductions in some products.

The AMS includes three categories of price and income support, all near and dear to many farmers in North America, Europe and elsewhere. The Amber Box includes support policies considered to be trade-distorting and therefore subject to reduction. The Blue Box category, originally a special U.S.-EU deal intended to be phased out in this next round (but being staunchly defended now by the EU), involves direct payments that are not subject to reduction if based on fixed parameters (yield, area, or number of animals) so as not to stimulate overproduction. Green Box policies, which are not subject to reduction, include environmental, structural, domestic food aid, and decoupled producer support meeting specific definitions.

A coalition of the EU, Norway, Japan, Switzerland and Korea appear to be aiming to broaden the definition of the Green Box to include the concept of *multifunctionality*; exempting agricultural support policies promoting rural or social goals. In this regard, the EU refers to the "polyvalent role of agriculture" (European Commission, 1999b) and Japan to "the creation of a good landscape and the maintenance of the local community, through production activities in harmony with the natural environment" (WTO, 1999). The danger is that "if trade restricting policies were to become the accepted instrument for maintaining multifunctionality then that would signal a regression tot he time of expensive commodity market distortions" (OECD, 1998e).

Amidst this dizzying spectrum of Amber, Blue, and Green, African countries' main interest on domestic support should be defending the provisions on *special and differential treatment*, which grant developing countries additional flexibility for subsidies related to food storage, domestic feeding programs for the rural and urban poor, investment in agricultural structures, and transportation for agricultural exports.[9] Most important of all is the 10 percent *de minimis* rule, which lends ample room to stimulate specific agricultural sectors if so desired.

Export competition is one sector where the African countries might benefit most from little action by the big players. The elimination of export subsidies, as the U.S. and the Cairns Group are advocating, would tend to encourage higher food prices in domestic African markets. In essence, export subsidies represent a transfer from the government budget of the exporting country to the importing country.[10] The EU, now responsible for 87 percent of the world's agricultural export subsidies--worth up to about $7.7 billion of such transfers, will be facing intense external pressure to agree to sharp cuts or total elimination. But the EU insists on linking export subsidy reductions on the disciplining of *export credits, export credit guarantees, and export insurance*[11] (EU, 1999b). Another

[9] In 1995, the first year of the WTO, developing countries listed $4 billion in support policies under the special and differential rubric. Morocco ($47 million) and Tunisia ($25 million) were the African country claimants (USDA/ERS, 1998).

[10] The lower import price may not always be transmitted to consumers, depending on the market concentration of the importer, processor, or distributor in the developing country.

[11] Article 10 (2) of the Agreement on Agriculture provided for the question of disciplines on export credits, export credit guarantees, and export insurance to be discussed in the OECD, where work on export credits

aspect of export competition under discussion is the outlawing of *export restraints,* "in part as a reaction to the concern over food security in importing countries" (OECD, 1998). African negotiators would be wise to ask for something tangible in return for supporting one side or the other on export competition.

A final area of the built-in agenda on agriculture involves the promise of providing *technical and financial assistance for agricultural development in least-developed countries*. As most of the main donor countries are already engaged in development assistance relevant to this topic, it is unclear exactly what additional resources are to be made available to meet this pledge under the WTO.

Three Uruguay Round areas linked to food security and trade for Africa, though not part of the Agreement on Agriculture, could attain a high profile in the near future. First, the agreement on trade-related intellectual property rights (TRIPs) contains a deadline of the end of 1999 for developing countries to adopt legislation--either through patents or a *sui generis* system[12]--providing protection for plant varieties, especially those developed through bio-genetic engineering. Seed companies can now engineer seeds that do not reproduce, going against the age-old practice of keeping back part of the crop to use as seed. Many African countries are concerned about potential conflicts with the Convention on Biodiversity, and about "bio-piracy" by foreign firms better positioned to take out patents on Africa's genetic resource base. Second, progress on *sanitary/phytosanitary* (SPS) issues will revolve around the governing of biotechnology products, such as genetically-modified organisms. African countries, which often have trouble adopting and enforcing standards legislation, would benefit from some form of special and differential treatment on SPS[13], although this is highly unlikely. Ultimately, African countries continue to see SPS barriers as a protection device against their exports. Thirdly, the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries, agreed at Marrakesh in 1994 upon conclusion of the Uruguay Round, highlighted the need to shelter the least-developed and net food-importing countries from the worst effects of price variability. Linking the trade reform program with *food availability* was an important step towards policy coherence, as "the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions" can be assured through periodic review of food aid levels, an increasing proportion of basic foodstuffs being given in grant form or on appropriate concessional terms, and provision of technical and financial assistance to improve agricultural productivity and infrastructure.

Beyond the Built-In Agenda, the next round of WTO talks on agriculture may also address new areas that could impact African countries even more strongly than the

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for non-agricultural products was underway. As little progress has been made, export credits will again be part of the WTO agriculture agenda, with the EU blaming the U.S. for intransigence (European Commission, 1999b).

[12] Such as a *Certificat d'Obtention Végétale*.

[13] Such as acceptance of a product if it meets the international standards set by Codex Alimentarius, the International Office of Epizootics, or under the International Convention on Plant Protection.

above categories. For instance, since the original GATT in 1947, *state trading enterprises* (STEs) have been “recognized as legitimate participants in world markets—both as market regulator and economic agent” (Ingco and Ng, 1998). Now they are criticized as “contribut(ing) to distortions in international agricultural trade...” since their “lack of price transparency could be used to mask export subsidies and import tariffs” (USDA/ERS, 1998). Many African countries have dismantled their parastatals, often in conjunction with structural adjustment programs, but some may still need to notify the WTO of the existence of an STE. All must be aware of and review any proposed new disciplines that could affect their systems for importing, marketing, and distributing basic foodstuffs.

On the sidelines of the Seattle Ministerial and the Millennium Round, interest groups around the world may lobby for the WTO to address new topics, such as: tying trading privileges to labor rights, environmental issues related to agricultural trade, and the current perceived primacy of trade over respect for animal rights, consumer rights, and food safety. These are not critical issues for most African countries, more concerned with combating poverty and food insecurity, but some may ally with the groups promoting these causes to garner much-needed reciprocal support.

Africa’s Difficult Position

In preparing to negotiate in the next round, the African countries suffer from a lack of capacity and bureaucratic resources, opening wide the potential for conflicts between development priorities and trade liberalization goals. Few individual African countries have the technical precision and bureaucratic infrastructure to effectively engage in long, complex trade negotiations in a manner that best serves their domestic producers and consumers *and* contributes to sustainable development and poverty reduction. As aptly noted in Michalopolous (1998), developing countries face difficulties in “the drafting of appropriate legislation and regulations, the meeting of procedural notification requirements, the staffing of government institutions with technical personnel able to implement the policies and commitments undertaken and the monitoring of trading partners’ implementation of WTO obligations to assess whether market access has been unfairly denied or trade rights infringed—as well as to prepare an appropriate response.”

The WTO is a largely technocratic organization, but does sponsor training for developing country staff. The FAO, the World Bank, the Development Assistance Committee of the OECD, and the many bilateral donors also are busily addressing the need for technical assistance before the round to address the current lack of effective representation and response capacity on the part of the developing countries. Whether technical assistance can succeed in shaping the actual negotiations will greatly influence the benefits African countries derive from the WTO.

There are several aspects of the WTO *acquis* that are ill-suited for the developing countries; in particular, the exclusive focus on using price-based measures, i.e. tariffs, to grant protection, and then reducing them. Reducing tariffs has a powerful impact on the national budgets of developing countries, which still rely strongly on customs receipts, much as the OECD countries did at an earlier stage in their development. In the WTO's request-and-offer process, the OECD countries should work with the developing country participant to analyze the budgetary impact of any proposal asking a developing country to cut a particular tariff.[14] It would be inconsistent, logically, for the OECD countries to impose fiscal restraint on a country in the Consultative Group of major donors, and then to undermine the major revenue base by demanding tariff cuts in the WTO.

If developing countries are to realize tangible gains from greater participation in the WTO, trade negotiations must be incorporated into the broader discussion of development priorities. The OECD has put forward two clear elements of a mutually beneficial partnership for the OECD members with the developing countries (OECD, 1999a). First, there must be *policy coherence*, or a rational unity of purpose, across the macroeconomic, trade, and development policies operated by OECD countries specifically related to the developing countries' efforts to integrate into the world economy. The second element involves adopting "approaches to international rule-making founded on greater cooperation with developing countries." WTO membership in principle allows African countries to participate in decisions about the system's future developments; hopefully the rule-making process in the next round will be less hermetic and less overtly oriented towards the biggest players.

As the WTO broadens its scope, the buffer zones shrink between trade policy and potentially conflicting goals such as poverty reduction and food security. Agricultural trade policy, in particular, is a primary determinant of both poverty and food security for most African countries. For products such as rice and wheat, key ingredients in the daily ration in most African countries, changes in the domestic support and export programs in the OECD countries must not exacerbate food insecurity in Africa. Otherwise the clarion call of trade liberalization will ring hollow for Africans and their policymakers. As *price-takers* for these products, African countries have reason to fear price variability due to the inherently uncertain environmental effects of agricultural production. The prevailing wisdom is that domestic price stabilization programs have contributed to greater price instability in international markets, *ergo*, reduction in policy distortions will lessen price variability in international markets (OECD, 1998d). But it will also increase the average level of prices. Thus, it is necessary to consider both effects. Further steps to bolster security of supply for the African countries would relieve lingering fears that liberalization, and the unpredictable forces of unfettered competition, could lead to an increased frequency of market failures. For example, the IMF and the World Bank could expand and improve existing facilities for short-term financing of food imports, not only in times of crisis, but as part of the new international financial architecture.

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[14] A best practice example of this can be seen in the EU's work with the ACP group on the post-Lomé arrangements. The EU-ACP analysis considers the impact on tax revenue. "Tax reforms...to broaden the tax base...will be necessary in any case...as gradual international liberalisation means that customs revenue can no longer be the main source of budgetary income. The reforms present an opportunity not only to generate new resources, but should also make for their improved allocation, contributing in turn to additional growth" (EU-ACP, 1999a).

There is a need for an **advocate** for the African countries, some kind of filter to prevent or undo unwise trade commitments resulting from the Africans' disadvantage in analytical support. The U.N.'s Economic Commission for Africa could be charged with such a task, complementing the efforts of groups like the Organization for African Unity, FAO, and the Development Assistance Committee of the OECD. Perhaps there is even a role for the IMF to play, since the Fund's three mandated functions (surveillance over member countries' economic policies, financial support for adjustment programs, and technical assistance) make it "the watchdog for macroeconomic stability, a *sine qua non* for poverty reduction" and provide "a few ways to keep a benevolent eye out for the poor" (Plunkett and Salinger, 1999).

Details of the New Relationship with the European Union

The European Union, in the midst of a profound deepening of its integration effort, is in the process of changing its monetary system, its post-colonial trade regime, and eventually its membership. Full conversion to the Euro in 2002 will most immediately affect the countries of UEMOA, as the CFA will be tied to the Euro rather than the French franc. For many CFA countries, the French franc is important in the current account, and the dollar is important in the capital account. The share of the Euro in the current account could expand as the exchange risk certainty that UEMOA has enjoyed for trade with France will now extend to the entire Euro area. Reducing the costs of foreign exchange and cash management is expected to lead to an intensification of trade between West Africa and Europe. As for the capital account, the advent of the Euro will facilitate European investment throughout Africa, particularly for consortia with many EU countries represented.[15] For many African countries dependent on trade with the EU, the Euro could emerge as an important reserve currency, rivaling the dollar.[16] It is also possible that the EU could extend the currency guarantees applicable to the franc zone to other ACP countries.[17]

Beyond the Euro itself, the example of the European experience with monetary union will continue to be instructive for further African integration. The incremental transfer of sovereignty to a supranational body continues within UEMOA, which has in recent years restricted the issuing of credit by member governments in order to reinforce the role of the Central Bank of West African States (BCEAO). To ensure monetary stability, UEMOA has developed detailed convergence criteria for fiscal policy, modeled on those the EU agreed to in the Maastricht Treaty. In principle, at least, the broader regional grouping under ECOWAS has adopted the UEMOA convergence criteria, a highly encouraging sign for the future. Ghana, for example, is aiming towards convertibility of its currency with the CFA by 2001. Stable African currencies will

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[15] The EU notes that it expects a certain amount of "operational inertia" before the full benefits of the Euro are felt through a "ripple effect" among ACP countries (EU-ACP, 1999).

[16] Beyond its likely role as a reserve currency, the Euro could even substitute for the official currency in a phenomenon usually called "dollarization". For a clearer picture of why developing countries would choose to do so, see Stryker, 1997.

[17] Note that the free convertibility of the CFA and Comoros francs with the Euro is an indirect peg guaranteed by the French Treasury, rather than a direct peg affecting all EMU countries (UNCTAD, 1998).

accelerate the varied processes of regional integration underway throughout the continent.

The EU governs its relations with the 71 ACP (African, Caribbean, and Pacific) countries through the Lomé IV Convention, a package of development aid and non-reciprocal trade arrangements negotiated on a group basis on both sides. However, the Lomé trade concessions into the EU market are in violation of GATT Article 1 on Most Favored Nation Status (MFN), to the detriment of other developing country exporters, as evidenced in the recent banana dispute. The current WTO waiver for Lomé IV expires on February 29, 2000, placing the Millennium Round and the resolution of ACP trading privileges on a collision course. The EU is pessimistic about a further derogation, since it would require "exceptional circumstances justifying it", as well as review and approval every year by the WTO Ministerial Conference until a fully-compatible system were put in place.

African countries are left with a rather difficult choice. They can preserve the Lomé trade concessions by accepting the EU's offer to negotiate individual or regional free trade agreements, which will require a "substantial" portion of trade to be liberalized on a reciprocal basis to meet the terms of GATT Article XXIV. The EU is working from the notion that 90 percent of existing trade entering duty-free is sufficient to meet the definition of a free trade area, with 10 years an appropriate phase-in period. This aspect of the WTO's rules will doubtless become more and more important if the bilateral Lomé trade preferences are inscribed in the WTO under the cover of imperfect FTAs.

Rather than individual FTAs, the EU has stated a preference for negotiating Regional Economic Partnership Agreements (REPAs) with the regional groupings within the ACP. For Africa, an initial EU study examined possible REPAs with UEMOA, SADC, CEMAC, and African Economic Cooperation (European Commission, 1999a). According to the EU, the REPAs could reinforce the African countries' commitments to regional trade liberalization, and provide a means for integrating trade liberalization with broader development objectives. But according to the OAU, the EU proposals represent a "fundamental change in the nature of the EU-ACP economic and trade agreements... reflecting the growing desire of the EU to exchange aid for market access" (OAU, 1999). Beyond market access, the OAU calls for the EU-ACP partnership to support: debt cancellation, human resource development in science and technology, improved competitiveness and technical standards for ACP trade, promotion of private sector development and investment, regional integration, and diversification and industrialization of the ACP economies. But the highest priority for the OAU seems to be liberalizing the mobility of labor, in the context of trade in services, in order to "redress the likely disequilibrium in the distribution of benefits" under the new FTAs or REPAs, and "as an instrument to eradicate poverty and promote integration of the ACP countries in the world economy."

Some ACP countries may choose not to enter into an FTA or a REPA, thus fending off the dangers of reciprocity, such as the exposure of inefficient domestic industries to unfettered competition with EU companies. In these cases, the EU is proposing to extend the less-favorable terms of its Generalized Scheme of Preferences

(GSP). The GSP, involving unilateral concessions to developing countries granted by the major trading powers, is compatible with the WTO under the Enabling Clause permitting more favorable treatment for developing countries on an undifferentiated basis. In the case of the EU, the maximum GSP benefits are conditional on the recipient countries applying social and environmental policies in line with international agreements (EU-ACP, 1999). Lomé continues to offer better access than the EU's GSP, with the preferential margin for manufactured goods overall scheduled to be 1.6% in 2000, with margins considered to be significant for chemicals (3.2%), footwear (5.5%), and textiles (6.8%). For agriculture and food products, Lomé offers a 4.5% margin of preference over the EU's GSP, excluding Lomé's four commodity protocols (bananas, beef, sugar[18], and rum), with large preferences in growing categories like processed fishery products, fish/crustaceans, tobacco, cut flowers, vegetables, and processed fruit and vegetables.

The issue of commodity preferences "will be critical for developing countries dependent on one or a few commodity exports for foreign exchange earnings and who see foreign aid from the developed countries declining" (Hanrahan, 1998). Combined with the ACP countries' wish to keep the non-trade aspects of Lomé IV (Stabex, Sysmin, investment backed by the European Development Fund), one should expect more than a dozen new FTAs or REPAs riddled with exceptions for processed agricultural products and other sensitive commodities, much like Lomé IV.

The EU itself will be under great pressure to further reform its Common Agricultural Policy (CAP) in order to lower the budgetary exposure caused by eventual enlargement to include Poland, Czech Republic, Hungary, and other applicants. The EU's Agenda 2000, with its limited agricultural price cuts, has laid down a marker that the EU will delay significant reform of the CAP as long as possible. But how long could that be?

The countries seeking to join the EU must adopt the thousands of EU directives and regulations, "including the sedimentary layers of 40 years of negotiations among the advanced countries of Western Europe" (Mentré, 1999). The second round of pre-accession talks between the EU-15 and the 6 hopefuls will start at the beginning of 2000. Poland expects to be the first new member to join, in January 2003. However, longtime EU observers would caution that successful economic integration requires a long period of patience through interminable stops and starts. It is possible, therefore, that enlargement could be pushed back until the end of the long-term budgetary framework, adopted early this year, set to govern EU spending from 2000 to 2006. In that case, as occurred in the Uruguay Round, the fate of the WTO negotiations and also the details of the Lomé transition may be held up by the slow process of internal EU reform.

For Africa, Globalization Means Closer U.S. Ties

By comparison, the convergence of events should facilitate closer trading ties for Africa with the United States. The U.S. is keen on opening markets while at the same

[18] The Lomé sugar protocol is already part of the EU's WTO schedule and can thus continue in its current form for all practical purposes.

time reducing poverty and food insecurity. U.S. involvement seeks to provide an improved *enabling environment* for equitable growth to occur.

There is the growing sense that U.S. relations with Africa are somewhat underdeveloped, but hold a lot of promise. Unlike the European Union, the U.S. does not channel great volumes of economic or development aid to Africa, with a historic high of $800 million. The U.S. exports about $10 billion in goods and services to Africa, less than 8 percent of Africa's exports and only about 1% of total U.S. exports. U.S. imports from Africa are higher at $13 billion, of which three-quarters is oil. These factors limit the U.S. influence, and reinforce the view that, for many African countries, historical ties (i.e. with Europe) mean more than multilateral opening within the WTO or bilateral U.S. efforts.

For the United States, leadership in the United Nations and the World Trade Organization is part of an ongoing initiative to open markets around the world. The success of the North American Free Trade Agreement (NAFTA) with Canada and Mexico has whetted the appetite of the American business community. Progress towards the Free Trade Area of the Americas (FTAA) and the goals of Asia-Pacific Economic Cooperation (APEC) places the U.S. on familiar terms with both the major and the minor WTO trading partners. Rules-based trading, with the WTO as arbiter, fits nicely with the U.S. corporate and governmental ethic of a fair playing field.

In recent years, USAID has had to recognize the limited nature of its budget, and to concentrate its activities on countries with a high chance of success. USAID's new role is increasingly that of "facilitator and catalyst," with a focus on duplicating individual success stories, citing Ghana and Uganda (USAID, 1999). Many of the U.S. initiatives are regional in nature, such as the Initiative for Southern Africa, the Greater Horn of Africa Initiative and the Great Lakes Justice Initiative, among others. Topical initiatives include the Child Survival Initiative, the African Food Security Initiative, and the Leland Initiative, with the latter helping Madagascar, Mali, Mozambique, Cote d'Ivoire, Benin, Rwanda and Guinea set up national gateways for internet service providers. Technical assistance on improving the business climate, through small business training or incubator activities, is consistent with the U.S. vision of economic self-help.

In South Africa, the U.S.' largest trading partner, the "peaceful end of apartheid and the development of a culture of reconciliation…offer political lessons for the rest of the world" (USAID, 1999). Trading relations should be bolstered by the bilateral Trade and Investment Framework with South Africa, signed in February 1999.

A long-discussed U.S. measure that would benefit many countries is the African Growth and Opportunity Act, which would expand duty-free access into the U.S. market for certain products, establish equity and infrastructure funds to support U.S. investment, and establish a mechanism to promote and review U.S. trade policy toward Africa. Yet to receive these benefits, African governments must remove restrictions on foreign investment, reduce corporate taxes and privatize state owned companies. There has been discussion about establishing an annual forum at which trade and finance ministers from Africa and the U.S. can meet, perhaps even resulting in a broad-reaching free trade agreement between the U.S. and the African countries.

Fuller integration of the African members into the WTO will provide multilateral commitments on tariffs and policies and impose a third-party dispute settlement mechanism, improving the reliability of the external trading framework. In this way, the WTO complements the ongoing African efforts at regional integration, which the U.S. strongly encourages, emphasizing transparency in practices and policies. Under the African Trade and Investment Policy Program (ATRIP), the U.S. is sponsoring workshops on the WTO for trade negotiators throughout Africa, both at the bilateral and regional level. It is that type of technical assistance activity that will help the African countries to sort through the myriad changes underway in the global context and emerge in a stronger position.

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Annex One: Timetables Set by the Uruguay Round

1995	Movement of natural persons
1996	Government procurement
	Subsidies (review use of R&D)
	Maritime market access
	Net food importing countries (Singapore Ministerial review, Dec.)
	Services and environment (GATS article 14)
	Intellectual property (geographical indications)
	Preshipment inspection
1997	Basic telecoms
	Financial services
	Technical barriers to trade
	Intellectual property (wines)
	Textiles and clothing
1998	Services (emergency safeguards)
	Antidumping
	Rules of origin
	SPS (first review)
	Government procurement (further negotiations start)
1999	Intellectual property (patentability and protection of plant varieties)
	Agriculture (initiate negotiations by end of 1999)
2000	Services (new round of negotiations start by 1/1)
	Services MFN exemptions
	Trade-related investment measures (TRIMs)
	Tariff bindings
2001	Textiles and clothing (review)
2002	Textiles and clothing (new phase begins)
2005	Textiles and clothing (full integration into GATT)
Date not set	Intellectual property (wines)
	Services subsidies (negotiations)